

Message Text

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ACTION AF-18

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20

STR-08 CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01

NEA-10 INT-08 SCEM-02 IO-14 ABF-01 /222 W

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R 041017Z DEC 73

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 9006

INFO AMEMBASSY BERN

AMEMBASSY LONDON

AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

LIMITED OFFICIAL USE PRETORIA 4408

E. O. 11652: N/A

TAGS: EFIN, SF

SUBJ: SOUTH AFRICAN GOLD AND FOREIGN EXCHANGE RESERVES

REF: PRETORIA 4259

1. SOUTH AFRICAN RESERVE BANK HOLDINGS FOR WEEKS ENDING
NOVEMBER 16 AND NOVEMBER 23, 1973, AS FOLLOWS (IN MILLION RAND):

	NOV. 16	NOV. 23
GOLD	569.8 (NO CHANGE)	569.2 (DOWN .6)
FOREIGN EXCHANGE	422.3 (DOWN 37.2)	393.8 (DOWN 28.5)
TOTAL	992.1 (DOWN 37.2)	963.0 (DOWN 29.1)

2. DURING WEEK ENDING DECEMBER 1, RAND RATE APPRECIATED 1.3
PERCENT AGAINST FRENCH FRANC AND 1.4 PERCENT AGAINST WEST
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GERMAN MARK WHILE DECLINING 2.1 PERCENT AGAINST STERLING AND

0.1 PERCENT AGAINST THE YEN. STEADY APPRECIATION OF RAND IN PAST FEW WEEKS SIMPLY BECAUSE OF LINK TO DOLLAR RATE HAS LED TO SOME SPECULATION THAT A READJUSTMENT WILL BE MADE.

3. MINISTER OF FINANCE, DR. NICO DIEDERICH, TOLD NATAL CHAMBER OF INDUSTRIES LAST WEEK THAT RELATIVELY HEAVY DECLINE IN RB HOLDINGS DUE IN LARGE PART TO HALT IN INFLOW OF CAPITAL FROM ABROAD. DIEDERICH SAID THAT "OVER LAST FEW WEEKS HARDLY ANY CAPITAL FROM ABROAD HAS ENTERED THE COUNTRY". HE HASTENED TO ASCRIBE THIS TO TECHNICAL CAUSES, RECALLING UK CONTROLS WHICH HAD MADE BRITISH PURCHASE OF JOHANNESBURG STOCK EXCHANGE SHARES MUCH LESS ATTRACTIVE. OBSERVING THAT THE DECLINING RESERVE POSITION "HAD FRIGHTENED SOME PEOPLE", HE URGED BUSINESSMEN NOT TO PANIC AND STRESSED THAT SA STILL OFFERED "ONE OF THE BEST INVESTMENT FIELDS IN THE WORLD."

4. COMMENT: WHILE SOME OF BUSINESS COMMUNITY COULD BE EDGY AS RESULT DECLINING RESERVES AND UNCERTAIN RE DURATION ECONOMIC UPSWING, THERE HAVE SCARCELY BEEN ANY SIGNS OF PANIC. IN FACT DRAW DOWN IN RESERVES SEEN BY MANY AS EVIDENCE LONG AWAITED BUSINESS UPTURN. DECLINE IN NET ON CAPITAL ACCOUNT HAS BEEN DUE IN SIGNIFICANT DEGREE TO REDUCED INDEBTEDNESS; MORE TRADE WAS BEING FINANCED LOCALLY DUE TO HIGHER INTEREST RATES ABROAD. ALTHOUGH BASED ON JUDGEMENTS MADE BEFORE ARAB OIL EMBARGO SINGLING OUT SOUTH AFRICA WAS ANNOUNCED LAST WEEK, MONEY MANAGERS AND BUSINESS LEADERS TILL PREDICTING GOOD YEAR FOR 1974. THERE IS ALSO LESS TALK OF POSSIBLE MANIPULATION OF GOLD SUPPLY FOR PRICE PURPOSES THAN WAS NOTED IMMEDIATELY AFTER ABOLITION OF TWO-TIER SYSTEM. IMMEDIATE SIGNS ARE THAT HEAVY FREE MARKET SALES WILL CONTINUE AS LONG AS PRICE REMAINS HIGH AND BALANCE OF PAYMENTS DEFICITS DRAW DOWN RESERVES. BIG QUESTION MARK IS HOW MUCH DISLOCATION WILL RESULT FROM THE OIL EMBARGO. SOME CIRCLES ARE BEGINNING TO SPECULATE, ALBEIT SOMEWHAT LOOSELY, ON HOW GOLD SUPPLY MIGHT BE BROUGHT TO BEAR TO HELP COMBAT ARAB OIL EMBARGO.

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